

**BOUNTIFUL REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF BOUNTIFUL, UTAH)**

**FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2006

**BOUNTIFUL REDEVELOPMENT AGENCY
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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA**INDEPENDENT AUDITOR'S REPORT**Board of Directors
Bountiful Redevelopment Agency

We have audited the accompanying financial statements of the governmental activities of Bountiful Redevelopment Agency, a component unit of the City of Bountiful (the Agency) as of and for the year ended June 30, 2006, which comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Bountiful Redevelopment Agency as of June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as noted on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

October 2, 2006



Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Bountiful Redevelopment Agency

We have audited the accompanying financial statements of the governmental activities of Bountiful Redevelopment Agency (the Agency), as of and for the year ended June 30, 2006, which comprise the Agency's basic financial statements, and have issued our report thereon dated October 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Jensen & Keddington

October 2, 2006

**BOUNTIFUL REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006**

As management of the Redevelopment Agency of the City of Bountiful (the Agency), we offer readers of the Bountiful Redevelopment Agency's financial statement this narrative overview and analysis of the year ending June 30, 2006. We encourage readers to consider the information presented here in conjunction with the overall financial statements contained in the Comprehensive Annual Financial Report for the year ending June 30, 2006, issued by the City of Bountiful.

Financial Highlights

- Even though revenues increased by \$618,157 attributable mostly to a larger tax increment taken and greater repayments received on revolving loans, total fund balance at the end of the year decreased by \$390,182 primarily due to payments of \$1,022,658 made on a new recreational facility, the issuance of \$438,000 in revolving loans, and \$255,227 tax increment passed through to the City enabling it to make its annual lease payment to the Municipal Building Authority (MBA) on the Renaissance Towne Centre Parking Structure. The MBA then uses this revenue to service the lease revenue series 2003 bonds which were issued to finance construction on the parking structure.
- Total fund balance at the end of the year was \$4,082,921 while total net assets were \$5,579,544. The difference between the two were capital assets of \$294,751 and expenditures recorded of \$1,201,872 as notes receivable, with repayments recorded as reductions in the notes in the statement of net assets.
- Property tax increment from project areas within Bountiful increased by \$353,267 from \$522,536 to \$875,803.
- The Agency made \$438,000 in new loans. The majority of these funds were used to attract new businesses to Bountiful City while the remainder was used to rehabilitate existing buildings. A complete breakdown of this loan activity can be found in the FY2007 Agency budget.

Overview of the Financial Statements

The Agency is a component unit of the City of Bountiful for accounting purposes. The Agency has no power to impose taxes, fees, or other charges, and is wholly funded by revenues derived from "property tax increment". Property tax increment is the difference in tax revenue between the base year (1978) value of properties located within the Agency project area (the 100-acre area designated by the Agency board) and the current tax revenue generated by the current value of those properties. The difference between those two amounts is collected by the County, reduced by the "haircut" provisions of state law, and remitted to the Agency.

The Agency also receives money from the repayment of principal and interest on loans made to businesses, investment of cash assets, and revenues from Woods Cross RDA, which are payments for contractual obligations incurred under joint project area agreements.

This discussion and analysis are intended to serve as introduction to the Redevelopment Agency of the City of Bountiful's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

**BOUNTIFUL REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006**

The statement of activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Agency adopts a one-year budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with the fiscal year 2006 budget.

Notes to the financial statements. The notes accompanying the financial statements provide additional information that is essential to a full understanding of the Agency financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2006, the Agency's assets exceeded liabilities by \$5,579,544. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**BOUNTIFUL REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006**

Bountiful Redevelopment Agency's Net Assets

	<u>Governmental Activities</u>
Current and other assets	\$ 7,298,507
Capital assets	<u>294,751</u>
Total assets	<u>\$ 7,593,258</u>
Long-term liabilities outstanding	\$ -
Other liabilities	<u>2,013,714</u>
Total liabilities	<u>\$ 2,013,714</u>
Net assets:	
Investment in capital assets, net of related debt	\$ 294,751
Unrestricted	<u>5,284,793</u>
Total net assets	<u>\$ 5,579,544</u>

At the end of the current fiscal year the Agency is able to report positive balances in net assets.

Bountiful Redevelopment Agency's Changes in Net Assets

	<u>Governmental Activities</u>
Revenues:	
General revenues:	
Property taxes	\$ 875,803
Other	<u>254,617</u>
Total revenues	<u>1,130,420</u>
Expenses:	
Redevelopment	<u>1,431,774</u>
Total expenses	<u>1,431,774</u>
Increase in net assets before transfers	(301,354)
Transfers	<u>1,430</u>
Increase (decrease) in net assets	(299,924)
Net assets July 1, 2005	<u>5,879,468</u>
Net assets June 30, 2006	<u>\$ 5,579,544</u>

**BOUNTIFUL REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006**

Financial Analysis of the Governmental Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The purpose of the Agency's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Agency General Fund has a total fund balance of \$4,082,921 all of which is unreserved but designated.

General Fund Budgetary Highlights

There was no change in the original budget.

Capital Assets

The Agency's investment in capital assets at June 30, 2006 amounts to \$294,751 (net of accumulated depreciation). This investment in capital assets includes land and land improvements.

**Bountiful Redevelopment Agency's Capital Assets
(Net of Depreciation)**

	Governmental Activities 2006
Land	\$ 188,747
Improvements to land	106,004
Total assets	\$ 294,751

Economic Factors and Next Year's Budget

This past year has been a transition year consisting mostly of development activities related to projects approved in the previous year. Some of the highlights are as follows:

- The Village on Main Street site was leveled and all of the major underground utilities were put in place.
- The Clipper Building properties were acquired by the Agency as part of a land consolidation agreement with an adjacent property owner.
- A new Suzuki vehicle dealership was added to the Bountiful Lincoln/Mercury site.
- The new Bountiful Lincoln/Mercury and Suzuki dealership demolished the former roller rink property acquired by the Agency several years ago and constructed Phase I of a proposed site expansion.
- A new two-story office/retail building was constructed on the Renaissance Towne Centre site.

**BOUNTIFUL REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006**

Economic Factors and Next Year's Budget (Continued)

- The joint Bountiful/West Bountiful Redevelopment Area continues to expand and has attracted several national tenants and a variety of eating establishments.
- A two-story Costa Vida restaurant and office building was approved on the site of the former Tepanyaki restaurant site in Colonial Square.

For fiscal year 2007, the Bountiful City Planning and Economic Development Department anticipates the following:

- The Village on Main Street will commence construction of the primary mixed-use structure in March of 2007 (instead of December 2006 as previously announced).
- Arctic Circle restaurants will finish construction and open for business at Village on Main Street.
- New anchor tenants in the joint Bountiful/West Bountiful RDA project will include Office Depot and Pet Smart.
- Construction will begin on new three-story residential/commercial mixed-use buildings on the former Clipper Building site and the Whisperwood Hollow site.
- A development proposal will be submitted for the former Mac's Craft site on Orchard Drive.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the Bountiful Redevelopment Agency finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager or Finance Director, City of Bountiful, 790 South 100 East, P.O. Box 369, Bountiful, Utah 84011-0369.

BASIC FINANCIAL STATEMENTS

BOUNTIFUL REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 2,075,493
Property tax receivable	988,939
Interest receivable	17,809
Investments	1,838,751
Real estate inventory held for resale	1,127,265
Notes receivable	1,201,871
Land	188,747
Improvements to land, net	106,004
Restricted cash	48,379
Total Assets	\$ 7,593,258
Liabilities:	
Accounts payable	\$ 567
Accrued liabilities	1,550
Liabilities payable from restricted assets	48,379
Due to Bountiful City	974,279
Unearned revenues	988,939
Total Liabilities	2,013,714
Net Assets:	
Investment in capital assets, net of related debt	294,751
Unrestricted	5,284,793
Total Net Assets	5,579,544
Total Liabilities and Net Assets	\$ 7,593,258

The notes to the financial statements are an integral part of this statement.

**BOUNTIFUL REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006**

Functions/Programs	Programs Revenue			Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Government Activities:					
Redevelopment	\$ 1,431,774	\$ -	\$ -	\$ -	\$ 1,431,774
Total Governmental Activities	<u>\$ 1,431,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,431,774</u>

General Revenues:		
Property taxes	\$ 875,803	\$ 875,803
Intergovernmental	69,999	69,999
Interest on investments	184,618	184,618
Transfer	1,430	1,430
Total General Revenues	<u>1,131,850</u>	<u>1,131,850</u>
Changes in Net Assets	<u>(299,924)</u>	<u>(299,924)</u>
Net Assets, Beginning	<u>5,879,468</u>	<u>5,879,468</u>
Net Assets, Ending	<u>\$ 5,579,544</u>	<u>\$ 5,579,544</u>

The notes to the financial statements are an integral part of this statement.

**BOUNTIFUL REDEVELOPMENT AGENCY
BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2006**

	<u>General</u>
Assets:	
Cash and cash equivalents	\$ 2,075,493
Property tax receivable	988,939
Interest receivable	17,809
Investments	1,838,751
Real estate inventory held for resale	1,127,265
Notes receivable	1,201,871
Restricted cash	48,379
Total Assets	<u>\$ 7,298,507</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 567
Accrued liabilities	1,550
Liabilities payable from restricted assets	48,379
Due to Bountiful City	974,279
Unearned revenues	2,190,811
Total Liabilities	<u>3,215,586</u>
Fund balance:	
Unreserved - designated	<u>4,082,921</u>
Total Fund Balance	4,082,921
Amounts reported for governmental activities in the statement of net assets are different because:	
Notes receivable are recorded as assets in the statement of net assets but is recorded as expenditure in the funds.	1,201,872
Expenditures are recorded when notes are issued from the RDA and the related repayment is a revenue in the funds, but the expenditure is recorded as a note receivable and the repayment is recorded as a reduction of the note in the statement of net assets.	<u>294,751</u>
Net Assets of Governmental Activities	<u><u>\$ 5,579,544</u></u>

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUND
For The Year Ended June 30, 2006

	<u>General</u>
Revenues:	
Property tax increment	\$ 875,803
Intergovernmental	69,999
Interest on investments	184,618
Miscellaneous	366,062
Total Revenues	<u>1,496,482</u>
Expenditures:	
Current:	
Salaries and wages	33,304
Payroll taxes and employee insurance	13,851
Administrative services	4,000
Supplies	15,809
Professional services	4,240
Insurance	329
Revolving loans issued	438,000
Capital outlay	30,903
Site improvements	1,347,658
Total Expenditures	<u>1,888,094</u>
Excess of Revenues Over Expenditures	(391,612)
Other Financing Sources (uses):	
Transfer in	1,430
Total Other Financing Sources and Uses	<u>1,430</u>
Net Change in Fund Balance	(390,182)
Fund Balance, Beginning	<u>4,473,103</u>
Fund Balance, Ending	<u><u>\$ 4,082,921</u></u>

The notes to the financial statements are an integral part of this statement.

**BOUNTIFUL REDEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (390,182)
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(12,583)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net assets.	30,903
Proceeds from repayment of RDA notes receivable are recorded as revenue in the governmental funds. However, the repayment is recorded as a reduction of the loan in the statement of net assets.	(366,062)
Amounts loaned by the RDA are recorded as expenditures in the governmental funds. However, the loan is recorded as an asset in the statement of net assets.	438,000
Change in net assets of governmental activities	<u>\$ (299,924)</u>

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL REDEVELOPMENT AGENCY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
For The Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property tax increment	\$ 900,000	\$ 900,000	\$ 875,803	\$ (24,197)
Intergovernmental	80,000	80,000	69,999	(10,001)
Interest on investments	89,179	89,179	184,618	95,439
Miscellaneous	117,428	117,428	366,062	248,634
Total Revenues	1,186,607	1,186,607	1,496,482	309,875
Expenditures:				
Current:				
Salaries and wages	37,434	37,434	33,304	4,130
Payroll taxes and insurance	14,360	14,360	13,851	509
Administrative services	4,000	4,000	4,000	-
Office supplies	27,350	27,350	15,809	11,541
Professional services	10,000	10,000	4,240	5,760
Insurance	5,500	5,500	329	5,171
Revolving loans issued	156,607	156,607	438,000	(281,393)
Capital outlay	1,000,000	1,000,000	30,903	969,097
Site improvements	898,100	898,100	1,347,658	(449,558)
Total Expenditures	2,153,351	2,153,351	1,888,094	265,257
Excess of Revenues Over (Under)				
Expenditures	(966,744)	(966,744)	(391,612)	575,132
Other Financing Sources (Uses):				
Transfer in	-	-	1,430	1,430
Total Other Financing Sources	-	-	1,430	1,430
Net Change in Fund Balance	\$ (966,744)	\$ (966,744)	(390,182)	\$ 576,562
Fund Balance, Beginning			4,473,103	
Fund Balance, Ending			\$ 4,082,921	

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL REDEVELOPMENT AGENCY NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bountiful Redevelopment Agency conform to accounting principles generally accepted in the United States of America applicable to governmental units. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

(A) Nature of the Agency

The Bountiful Redevelopment Agency (the Agency) is a component unit of the City of Bountiful, Utah (the City). The Agency was established in 1978 pursuant to the provisions of the Utah Neighborhood Development Act of 1969. Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City. To accomplish this objective, the Agency may acquire land and improvements, relocate residents and businesses, demolish deteriorated improvements, grade land, provide ancillary off-site improvements, and resell the land to the public or private sector for development. The Agency can enter into contracts and issue bonds or other obligations. All powers of the Agency are vested in the members of the Board of Directors, which currently consists of the Mayor and members of the City Council of the City.

(B) Government-Wide and Fund Financial Statements

The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type. The Agency does not have any business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Agency. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

BOUNTIFUL REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received.

The Agency reports the General Fund as a major governmental fund.

The General Fund is the government's only operating fund. It accounts for all financial resources of the general government.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

(D) Property tax increment

Most of the Agency's activities are funded by property tax increment financing. Under tax increment financing, the assessed value of all personal and real property within the redevelopment area in the year prior to the adoption of the redevelopment plan becomes the base. In all years following the base-year, the local taxing units receive the taxes generated by applying the current year tax levy to the base year assessed valuation. The Agency will receive any taxes collected due to an increase in the assessed value of the redevelopment area over that of the base-year.

Property taxes are collected by the Davis County Treasurer and remitted to the Agency shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due on November 1 and become delinquent after November 30 of each year.

(E) Budgets

Annual budgets are prepared and adopted in accordance with state law by the Agency's Board of Directors on or before June 22 for the following fiscal year, which begins July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Board at any time during the year. A public hearing must be held prior to any proposed increase in the Agency's appropriations.

Budgets for the Agency are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the Agency.

BOUNTIFUL REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) Cash and Investments

The Fund considers cash and investments with original maturities of three months or less to be cash and cash equivalents.

(G) Property, plant and equipment

Property, plant and equipment is carried at cost. Upon disposition of property, plant and equipment, the cost and related accumulated depreciation are removed from the respective accounts. The resulting gain or loss is reflected in the Statement of Activities. Depreciation of property, plant and equipment in service is provided on the straight-line method over the estimated useful life of 10 to 20 years for Improvements other than buildings.

(H) Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

The cash and cash equivalents and investments balances represent the Fund's allocated share of the cash and cash equivalents and investment pool that are maintained by the City. Accordingly, the Fund follows the City's policy for investments. The City maintains a cash and cash equivalents and investment pool that is available for use by all funds. Cash includes amounts in demand deposits including the portion of the Utah State Treasurer's investment pool that is considered as a demand deposit. Investments are stated at fair value. The Fund's portion of this pool is displayed on the balance sheet as "cash and cash equivalents" and "investments." The Fund is exposed to the same risk as the City, as the cash and cash equivalents and investments are allocated across the City's funds.

Deposits and investments for the City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial credit risk – deposits is the risk that in the event of bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. As of June 30, 2006, \$1,375,018 of the City's bank balances of \$30,014,901 was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2006, \$4,082,059 of the City's \$29,268,138 in investments was exposed to custodial credit risk because it was uninsured and uncollateralized.

BOUNTIFUL REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; banker acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investments are in the Utah Public Treasurer's Investment Fund, U.S. Treasuries, and qualified institutions. The City's investments have no concentration of credit risk.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

BOUNTIFUL REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

Following are the City's cash on hand, on deposit, and investments as of June 30, 2006, of which, \$2,123,872 of the total cash on hand and deposits and \$1,838,751 of the total investments is allocated to the Agency.

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (Years) (2)</u>
Cash on hand and on deposit:			
Cash on hand	\$ 3,880	N/A	N/A
Cash on deposit	1,178,577	N/A	N/A
Utah State Treasurer's investment pool accounts	28,857,304	N/A	N/A
Total cash on hand and deposit	<u><u>\$ 30,039,761</u></u>		
Investments			
Certificates of Deposit	\$ 3,092,868	N/A	0.57
Utah State Treasurer's investment pool accounts	2,159,316	N/A	N/A
U.S. Treasuries	22,606,142	AAA	0.56
Bond Reserves	1,289,191	N/A	N/A
Total Investments	<u><u>\$ 29,147,517</u></u>		
Portfolio weighted average maturity			0.56

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

NOTE 3 NOTES RECEIVABLE

The Agency has made low cost building rehabilitation loans to businesses in the City. The Agency holds nine notes receivable. The terms of those notes are as follows:

Balance	Interest	Monthly Payments		Balloon Payment	
June 30, 2006	Rate	Amount	Due through	Amount	Due
\$ 48,828	3.00%	\$ 579	April 2009	\$ 32,621	May 2009
327,890	3.50%	5,500	December 2011	-	-
291,963	3.00%	3,380	August 2009	181,682	September 2009
34,504	3.00%	394	September 2009	22,258	October 2009
69,320	4.75%	1,756	January 2010	-	-
224,454	3.00%	2,414	April 2010	136,320	May 2010
76,879	3.00%	807	July 2010	45,584	August 2010
38,033	3.00%	396	July 2010	22,373	August 2010
90,000	3.00%	869	June 2011	49,111	July 2011
<u>\$ 1,201,871</u>		<u>\$ 16,095</u>		<u>\$ 489,949</u>	

BOUNTIFUL REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 CAPITAL ASSETS

A summary of changes in fixed assets for the year ended June 30, 2006 is as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital assets, not being depreciated				
Land	\$ 188,747	\$ -	\$ -	\$ 188,747
Total capital assets, not being depreciated	188,747	-	-	188,747
Capital assets, being depreciated				
Improvements to land	236,218	30,903	-	267,121
Total capital assets, being depreciated	236,218	30,903	-	267,121
Less accumulated depreciation	(148,534)	(12,583)	-	(161,117)
Total capital assets, being depreciated, net	87,684	18,320	-	106,004
Total capital assets - net	<u>\$ 276,431</u>	<u>\$ 18,320</u>	<u>\$ -</u>	<u>\$ 294,751</u>

Depreciation expense for the year was \$12,583.

NOTE 5 DEFERRED TAXES

In conjunction with the implementation of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" the City has accrued a property tax receivable and deferred property tax revenue in the amount of \$988,939.

NOTE 6 RELATED PARTY TRANSACTIONS

The Agency has no employees of its own. The City employees provide management, accounting, and other required services for which they bill the Agency. For these services, the Agency paid the City \$33,304 for salaries, \$13,851 for related payroll taxes and employee benefits, and \$4,000 for administrative services. The Agency has also borrowed cash in the amount of \$974,279 of the \$4,200,000 agreed to on June 28, 2005 for the funding of the construction of the recreation center. In addition, the Agency received a transfer of \$1,430 from the City's Capital Improvement fund.

BOUNTIFUL REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 PROJECTS

For the year ended June 30, 2006 the following activity occurred within the Agency:

Tax increment collected from other taxing agencies for Project Area:

<u>Project Area 1</u>	
District #3	\$ 555,047
District #5	160,877
<u>Project Area 2</u>	
District #3	10,946
<u>Project Area 3</u>	
District #3	148,933
Total	<u>\$ 875,803</u>
Tax increment paid to other taxing agencies	\$ -
Outstanding loans to finance RDA projects	\$ -
Amounts expended for site improvements and preparation costs	\$ 1,347,658
Amounts expended for acquisition of property	\$ 369,838
Amounts expended for installation of public utilities and other public improvements	\$ -
Amounts expended for administrative costs	\$ 509,531

NOTE 8 COMMITMENTS

The Agency holds a commitment to a developer for 100% of the tax increment generated by certain properties. The City is committed to make the payments through December 31, 2008 or until the City has paid a total of \$200,000 in tax increment to the developer. The Agency has paid a total of \$121,993 of tax increment through June 30, 2006 related to this commitment.

The City, through the Agency, entered into an interlocal government agreement with the Davis County School District to construct a new gymnasium, parking lot and other improvements. The gymnasium will be for the shared use of the School District and the City. By the terms of the agreement, the interest of the city in the gymnasium may be assigned to the South Davis Recreation District. In order to fund the construction, the City, through its Capital Projects fund, has committed \$4,200,000 for initial funding. The amount may exceed this as construction circumstances change. The Agency has entered into contracts for demolition and architectural services, engineering services, and construction of the recreational facilities. By the terms of the agreement, Davis School District shall be the sole owner of the main gym and each party will retain ownership of that portion of the other improvements which lies on the respective party's property. As of June 30, 2006, the Agency has expended \$1,022,658 related to the project, of which \$48,379 is construction retention. The School District has consented to allow the City, through the Agency, to receive 100% of the tax increment from the 1983 RDA project area for the years 2005 to 2015. This tax increment will enable the Agency to repay amounts borrowed from the City's Capital Projects fund to finance this project.

BOUNTIFUL REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RISK MANAGEMENT

The Agency is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a component unit of the City of Bountiful, the Agency is covered by the City's risk management programs and policies which included property insurance policies, a fidelity bond, public employee dishonesty insurance, and self insured risk management programs for general liability claims and workers compensation. The City has not had a significant change in insurance coverage during the fiscal year ended June 30, 2006, nor during the past four fiscal years has the amount of settlements exceeded insurance coverage.

NOTE 10 DESIGNATED FUND EQUITY

The designated portion of the unreserved fund balance at June 30, 2006 is for future redevelopment projects.

NOTE 11 RETIREMENT PLAN

Cost Sharing Defined Benefits Pension Plans

The Agency participates with the City in one of the Utah Retirement Systems (URS) cost-sharing multiple-employer public employee retirement systems (the Plan) which is a defined benefit retirement plan covering public employees of the State of Utah and employees of participating local governmental entities. The URS is administered under the direction of the Utah State Retirement Board whose members are appointed by the governor of Utah. The URS is considered part of the State of Utah financial reporting entity and is included in the State of Utah comprehensive annual financial report. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The City and the Agency have no liability to pay retirement benefits should the URS fail. The Agency's total payroll was \$33,304 for the year ended June 30, 2006. Of that amount \$30,304 was eligible to participate in the Non-contributory System of the plan. The nature of the employer's legal obligation to contribute to the plan at June 30, 2006 is as follows, expressed by dollar amount and as a percentage of the covered payroll:

Agency's contribution (vested upon retirement)	
Total Amount	Percent of Eligible Payroll
\$ 3,361	11.09%

Reference should be made to the City's 2006 comprehensive annual financial report for additional information regarding the retirement plan for the City.

NOTE 12 DEFINED CONTRIBUTION PLAN

The Agency participates with the City in a defined contribution deferred compensation plan administered by ICMA Retirement Corporation under Internal Revenue Code Section 401(k) for Agency employees covered by the State's Non-contributory retirement plan.

BOUNTIFUL REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 DEFINED CONTRIBUTION PLAN (Continued)

The Plan, available to all full-time Agency employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the Agency, the City, or their general creditors. The Agency contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The Agency's total payroll was \$33,304 for the year ended June 30, 2006. Of this amount, \$29,104 was eligible to participate in the plan. The Agency participates at a rate of 3.61%. The rate of Agency participation can be changed by the City Council. During the year ended June 30, 2006, contributions totaling \$1,051 were made to this plan by the Agency and \$0 by employees.

NOTE 13 SUBSEQUENT EVENTS

In October 2006, the Agency sold Main Street property, previously recorded as Land Held for Resale, to a developer at a loss of \$68,960. The property will be used in a future retail and housing development which the City anticipates will more than repay, through tax increment and other revenues, any loss incurred on the sale of the land.